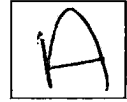


ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY



E-01345A
Arizona Public Service Company
PO Box 53999, Station 9905
Phoenix, AZ 85072

ANNUAL REPORT

RECEIVED

APR 13 2007

AZ CORP COMM
Director Utilities

FOR YEAR ENDING

12	31	2006
----	----	------

FOR COMMISSION USE

ANN 01	06
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PROCESSED BY:

A-1607 RF

SCANNED

COMPANY INFORMATION

Company Name (Business Name) <u>Arizona Public Service Company</u>		
Mailing Address <u>PO Box 53999</u>		
	(Street)	
<u>Phoenix</u>	<u>AZ</u>	<u>85072-3999</u>
(City)	(State)	(Zip)
<u>602-250-1000</u>	<u>602-250-3003</u>	<u>N/A</u>
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address _____		
Local Office Mailing Address <u>SAME AS ABOVE</u>		
(Street)		
(City)	(State)	(Zip)
<u>Local Office Telephone No. (Include Area Code)</u>	<u>Fax No. (Include Area Code)</u>	<u>Pager/Cell No. (Include Area Code)</u>
Email Address _____		

MANAGEMENT INFORMATION

Management Contact: <u>Barbara Klemstine</u>		<u>Director, Regulation and Pricing Administration</u>	
	(Name)		(Title)
<u>400 North 5th Street MS 9708</u>	<u>Phoenix</u>	<u>AZ</u>	<u>85004</u>
(Street)	(City)	(State)	(Zip)
<u>602-250-4563</u>	<u>602-250-3003</u>	<u>N/A</u>	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address <u>Barbara.Klemstine@aps.com</u>			
On Site Manager: _____			
(Name)			
(Street)	(City)	(State)	(Zip)
<u>Telephone No. (Include Area Code)</u>	<u>Fax No. (Include Area Code)</u>	<u>Pager/Cell No. (Include Area Code)</u>	
Email Address _____			

☒ Please mark this box if the above address(es) have changed or are updated since the last filing.

SERVICES AUTHORIZED TO PROVIDE

Check the following box/es for the services that you are authorized to provide:

☒ **Electric**

- ☒ Investor Owned Electric
- ☐ Rural Electric Cooperative
- ☐ Utility Distribution Company
- ☐ Electric Service Provider
 - ☐ Transmission Service Provider
 - ☐ Meter Service Provider
 - ☐ Meter Reading Service Provider
 - ☐ Billing and Collection
 - ☐ Ancillary Services
 - ☐ Generation Provider
 - ☐ Aggregator/Broker

☐ **Telecommunications**

- ☐ Incumbent Local Exchange Carrier
- ☐ Interexchange Carrier
- ☐ Competitive Local Exchange Carrier
- ☐ Reseller
- ☐ Alternative Operator Service Provider

☐ **Gas**

- ☐ Natural Gas
- ☐ Propane

☐ **Other (Specify)** _____

STATISTICAL INFORMATION

TELECOMMUNICATION UTILITIES ONLY

Total residence local exchange access lines	_____
Total business local exchange access lines	_____
Total revenue from Arizona operations	\$ _____
Total income from Arizona operations	\$ _____
Value of assets used to serve Arizona customers	\$ _____
Accumulated depreciation associated with those assets	\$ _____

STATISTICAL INFORMATION (CONT'D)

ELECTRIC UTILITY PROVIDERS ONLY

Total number of customers	1,075,269	
Residential	957,337	
Commercial	112,918	
Industrial	3,562	
Public street and highway lighting	1,030	
Irrigation	344	
Resale	78	
 Total kilowatt-hours sold	39,991,804,000	kWh
Residential	12,993,961,000	
Commercial	12,348,200,000	
Industrial	2,475,311,000	
Public street and highway lighting	127,965,000	
Irrigation	24,960,000	
Resale	12,021,407,000	
 Maximum Peak Load	7,652.00	MW

GAS UTILITIES ONLY

Total number of customers		
Residential		
Commercial		
Industrial		
Irrigation		
Resale		
 Total therms sold		therms
Residential		
Commercial		
Industrial		
Irrigation		
Resale		

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AZ CORP COMM
Director Utilities

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

VERIFICATION

STATE OF _____
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)
Maricopa
NAME (OWNER OR OFFICIAL) TITLE
Chris Froggatt, Vice President and Controller
COMPANY NAME
Arizona Public Service Company

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2006 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)
\$ 2,766,809,381.00

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 237,997,693.00
IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

Chris Froggatt
SIGNATURE OF OWNER OR OFFICIAL
602-250-3212
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 12th DAY OF

(SEAL)

COUNTY NAME
Maricopa
MONTH
April
2007

Christine A. LaBrash
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES



VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY

RECEIVED

APR 13 2007

42 CORP COMM
Director Utilities

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Maricopa	
NAME (OWNER OR OFFICIAL) Chris Froggatt	TITLE VP & Controller
COMPANY NAME Arizona Public Service Company	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2006 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 1,390,983,388.00

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 120,461,966.00
IN SALES TAXES BILLED, OR COLLECTED

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

X Chris Froggatt
SIGNATURE OF OWNER OR OFFICIAL
602-250-3212
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

12th

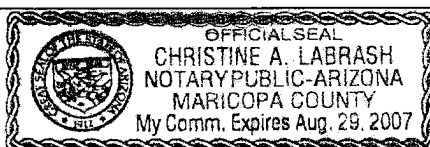
DAY OF

(SEAL)

MY COMMISSION EXPIRES

NOTARY PUBLIC NAME Christine A. LaBrash	
COUNTY NAME Maricopa	
MONTH April	YEAR 2007

X Christine A. LaBrash
SIGNATURE OF NOTARY PUBLIC



FINANCIAL INFORMATION

Attach to this annual report a copy of the companies' year-end (Calendar Year 2006) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**

ARIZONA PUBLIC SERVICE COMPANY
STATEMENTS OF INCOME
(dollars in thousands)

	Year Ended December 31,		
	2006	2005	2004
Electric Operating Revenues:			
Regulated electricity	\$ 2,640,989	\$ 2,244,951	\$ 2,051,602
Marketing and trading	17,524	25,842	145,519
Total	<u>2,658,513</u>	<u>2,270,793</u>	<u>2,197,121</u>
Operating Expenses:			
Regulated electricity			
fuel and purchased power	965,712	656,654	612,300
Marketing and trading			
fuel and purchased power	4,055	32,328	150,954
Operations and maintenance	665,631	591,941	540,277
Depreciation and amortization	353,057	325,174	336,648
Income taxes (Notes 4 and S-1)	144,127	157,273	113,696
Other taxes	127,989	125,810	114,265
Total	<u>2,260,571</u>	<u>1,889,180</u>	<u>1,868,140</u>
Operating Income	<u>397,942</u>	<u>381,613</u>	<u>328,981</u>
Other Income (Deductions):			
Regulatory disallowance (Note 3)	--	(138,562)	--
Income taxes (Notes 4 and S-1)	5,200	59,263	(6,334)
Allowance for equity funds used			
during construction	14,312	11,191	4,885
Other income (Note S-4)	31,902	22,141	30,593
Other expense (Note S-4)	(23,830)	(23,204)	(13,816)
Total	<u>27,584</u>	<u>(69,171)</u>	<u>15,328</u>
Interest Deductions:			
Interest on long-term debt	149,240	138,476	140,556
Interest on short-term borrowings	9,529	7,026	6,427
Debt discount, premium and expense	4,363	4,085	4,854
Allowance for borrowed funds used			
during construction	(7,336)	(7,624)	(7,155)
Total	<u>155,796</u>	<u>141,963</u>	<u>144,682</u>
Net Income	<u>\$ 269,730</u>	<u>\$ 170,479</u>	<u>\$ 199,627</u>

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
BALANCE SHEETS
(dollars in thousands)

	December 31,	
	2006	2005
ASSETS		
Utility Plant (Notes 1, 6, 9 and 10)		
Electric plant in service and held for future use	\$ 11,094,868	\$ 10,682,999
Less accumulated depreciation and amortization	3,789,534	3,616,886
Net	7,305,334	7,066,113
Construction work in progress	365,704	314,584
Intangible assets, net of accumulated amortization of \$217,099 and \$181,046	95,601	90,327
Nuclear fuel, net of accumulated amortization of \$50,741 and \$53,984	60,100	54,184
Total utility plant	7,826,739	7,525,208
Investments and Other Assets		
Decommissioning trust accounts (Note 12)	343,771	293,943
Assets from risk management and trading activities (Note S-3)	96,892	234,372
Other assets	67,763	64,128
Total investments and other assets	508,426	592,443
Current Assets:		
Cash and cash equivalents	81,870	49,933
Investment in debt securities	32,700	--
Customer and other receivables	410,436	421,621
Allowance for doubtful accounts	(4,223)	(3,568)
Materials and supplies (at average cost)	125,802	109,736
Fossil fuel (at average cost)	21,973	23,658
Assets from risk management and trading activities (Note S-3)	539,308	532,923
Deferred income taxes	19,220	--
Other	13,367	14,639
Total current assets	1,240,453	1,148,942
Deferred Debits:		
Deferred fuel and purchased power regulatory asset (Notes 1, 3, 4 and S-1)	160,268	172,756
Other regulatory assets (Notes 1, 3, 4 and S-1)	686,016	151,123
Unamortized debt issue costs	26,393	25,279
Other	65,397	91,690
Total deferred debits	938,074	440,848
Total Assets	\$ 10,513,692	\$ 9,707,441

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
BALANCE SHEETS
(dollars in thousands)

	December 31,	
	2006	2005
LIABILITIES AND EQUITY		
Capitalization:		
Common stock	\$ 178,162	\$ 178,162
Additional paid-in capital (Note 3)	2,065,918	1,853,098
Retained earnings	960,405	860,675
Accumulated other comprehensive income (loss):		
Minimum pension liability adjustment	--	(86,132)
Derivative instruments	2,988	179,422
Common stock equity	3,207,473	2,985,225
Long-term debt less current maturities (Note 6)	2,877,502	2,479,703
Total capitalization	6,084,975	5,464,928
Current Liabilities:		
Current maturities of long-term debt (Note 6)	968	85,620
Accounts payable	223,417	215,384
Accrued taxes	381,444	360,737
Accrued interest	45,254	25,003
Customer deposits	61,900	55,474
Deferred income taxes (Notes 4 and S-1)	--	64,210
Liabilities from risk management and trading activities (Note S-3)	490,855	480,138
Other	74,728	227,398
Total current liabilities	1,278,566	1,513,964
Deferred Credits and Other:		
Deferred income taxes (Notes 4 and S-1)	1,215,862	1,215,403
Regulatory liabilities (Notes 1, 3, 4, and S-1)	635,431	592,494
Liability for asset retirements (Note 12)	268,389	269,011
Pension and other postretirement liabilities (Notes 8 and S-6)	551,531	233,342
Customer advances for construction	71,211	60,287
Unamortized gain - sale of utility plant (Note 9)	41,182	45,757
Liabilities from risk management and trading activities (Note S-3)	135,056	83,774
Other	231,489	228,481
Total deferred credits and other	3,150,151	2,728,549
Commitments and Contingencies (Notes 3, 11, 12 and S-5)		
Total Liabilities and Equity	\$ 10,513,692	\$ 9,707,441

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Financial Statements.